

Message Text

PAGE 01 OTTAWA 02105 050011Z

14

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SUBJECT: PRIME MINISTER ANNOUNCES ADDITIONAL MEASURES TO CURB
INFLATION

SUMMARY. IN MAJOR STATEMENT TO HOUSE OF COMMONS
SEPTEMBER 4 PRIME MINISTER TRUDEAU ANNOUNCED NEW MEASURES TO
BE TAKEN BY GOC TO MITIGATE EFFECT OF RISING PRICES AND ASSURE
CONTINUED ADEQUATE FOOD AND PETROLEUM SUPPLY. MEASURES INCLUDE
ADDITIONAL COST-OF-LIVING ESCALATOR CLAUSES IN PENSION PLANS,
INTERIM INCREASES IN FAMILY ALLOWANCES, OFFERS TO INCREASE
WELFARE PAYMENTS TO PROVINCES, HIGHER WHEAT SUBSIDIES, NEW
MILK SUBSIDIES, A TEMPORARY OIL AND GAS VOLUNTARY PRICE
FREEZE, A CONTROL MECHANISM TO PREVENT HIGHER U.S. PETROLEUM
PRICES FROM AFFECTING CANADIAN MARKETS AND CONSULTATIONS
REGARDING EXTENSION OF PIPELINE TO MONTREAL. OPPOSITION
LEADER STANFIELD SAID STATEMENT WAS "POTPOURRI OF SYMPTONS"
BUT NOT A COMPREHENSIVE ASSAULT ON INFLATION. NDP LEADER
LEWIS INDICATED SUPPORT OF MANY ASPECTS GOC PROGRAM BUT
PRESSED FOR MEASURES TO CURB CORPORATE PROFITS. END SUMMARY.

1. PM TRUDEAU BEGAN STATEMENT BY REVIEWING MEASURES PREVIOUSLY
TAKEN IN EFFORT TO CURB PRICE RISES AND ASSURE ADEQUATE
SUPPLY. HE MENTIONED ESTABLISHMENT FOOD PRICES REVIEW BOARD,
UNCLASSIFIED

PAGE 02 OTTAWA 02105 050011Z

INTENTION TO TRIPLE FAMILY ALLOWANCES IN JANUARY
1974, EXPORT RESTRICTIONS ON SOYA, RAPE AND FLAX SEEDS,
TEMPORARY EXPORT CONTROLS ON BEEF AND PORK, AND CALLING
OF FEDERAL/PROVINCIAL CONFERENCE LATER THIS MONTH "TO AGREE

ON PRINCIPLES AND POLICIES TO ENCOURAGE INCREASED FOOD PRODUCTION AT REASONABLE RETURNS TO FARMERS". TRUDEAU STATED: "THE GOC IS PREPARED TO PUT IN PLACE MEASURES SUCH AS HIGHER SUPPORT PAYMENTS FOR AGRICULTURAL COMMODITIES, ADVANCE PAYMENTS ON A WIDE RANGE OF AGRICULTURAL PRODUCTS, COMMODITY-ORIENTED, GOVERNMENT-PRODUCER FINANCED INCOME STABILIZATION PROGRAMS, AND SUCH OTHER MEASURES AS MIGHT EVOLVE AFTER THE CONFERENCE".

2. TO ACCOMPANY ABOVE MEASURES TO CONSERVE AND INCREASE SUPPLY AND TO PROTECT CONSUMERS TRUDEAU SAID GOC WILL SEEK PARLIAMENTARY APPROVAL FOR FOLLOWING MEASURES TO PROTECT PURCHASING POWER OF THOSE ON FIXED INCOMES.

(A) BILLS WERE INTRODUCED SEPTEMBER 4 TO AUTHORIZE COST-OF-LIVING INCREASES UNDER OLD AGE SECURITY AND GUARANTEED INCOME SUPPLEMENT PLANS EVERY THREE MONTHS INSTEAD OF EVERY YEAR. LEGISLATION WILL TAKE EFFECT IN OCTOBER WITH A 5.3 PERCENT INCREASE IN BASIC PENSIONS.

(B) BILL WILL BE INTRODUCED TO REMOVE 2 PERCENT CEILING ON ANNUAL ESCALATION OF PENSIONS PAID UNDER CANADA PENSION PLAN. FOR PRIVATE PENSIONS GOC WILL REMOVE PRESENT PROVISION THAT ONLY EMPLOYEE PENSION PLANS WITH 2 PERCENT MAXIMUM ON ANNUAL EXCALATION OF PENSION BEING PAID MAY BE REGISTERED UNDER THE INCOME TAX ACT.

(C) MEASURE PREVIOUSLY PASSED APPROVING TRIPLING OF FAMILY ALLOWANCE IN JANUARY 1974 TO AVERAGE MONTHLY PAYMENT OF \$20 WILL BE SUPPLEMENTED BY INTERIM MONTHLY INCREASE TO \$12 BEGINNING IN OCTOBER.

3. PM REITERATED PREVIOUS STATEMENT THAT GOC PREPARED TO PAY 50 PERCENT OF COSTS OF INCREASING WELFARE PAYMENTS BY PROVINCES TO COMPENSATE FOR HIGHER PRICES. ON WHEAT SUBSIDY PM STATED: "WE ARE COMPLETING DISCUSSIONS WITH THE CANADIAN WHEAT BOARD AND THE ONTARIO WHEAT PRODUCERS MARKETING BOARD TO IMMEDIATELY REDUCE PRICES OF WHEAT TO MILLERS AND UNCLASSIFIED

PAGE 03 OTTAWA 02105 050011Z

OTHER USERS FOR HUMAN CONSUMPTION IN CANADA. THE REDUCTION WOULD BE APPROXIMATELY BACK TO THE EARLY AUGUST PRICE LEVELS AND WOULD BE PART OF A MULTI-YEAR AGREEMENT THAT WOULD PROVIDE GUARANTEED MINIMUM AND MAXIMUM PRICES TO THE CANADIAN FARMER. WE WOULD PAY TO THE WHEAT BOARD AND OTHER PRODUCERS UP TO \$1.25 PER BUSHEL OF WHEAT CONSUMED BY CANADIANS -- BREAD, PASTA AND ALL THE OTHER USES -- AS A CONSUMER SUBSIDY. THE RESULT WILL BE THAT A FURTHER BREAD PRICE INCREASE OF ABOUT FIVE CENTS A LOAF WHICH WAS INESCAPABLE IN OCTOBER WILL NOT NOW OCCUR".

4. GOC WILL ALSO PROVIDE A FIVE CENT PER QUART SUBSIDY ON MILK IN THOSE PROVINCES WHERE SUBSIDY IS CONSIDERED NECESSARY

TO MAINTAIN OR REDUCE MILK PRICES.

5. TURNING TO PRICES OF GASOLINE AND HEATING OIL PM STATED THAT IN THOSE PARTS OF CANADA SUPPLIED BY CANADIAN PRODUCTION OIL AND GAS PRICES HAVE RISEN WITH INTERNATIONAL PRICES. " IN PART THIS IS BECAUSE ABOUT HALF OF CANADIAN PRODUCTION IS SOLD IN U.S. MARKETS WHERE INCREASING RELIANCE ON FOREIGN SUPPLIES HAS MADE THE UNITED STATES VULNERABLE TO FOREIGN PRICES. CANADIAN CRUDE OIL PRODUCTION HAS CONSEQUENTLY BEEN SOLD IN THE U.S. AT THE OPPORTUNITY PRICES AVAILABLE AND THE DOMESTIC CANADIAN CONSUMER HAS SEEN THIS U.S. DEMAND RAISE HIS PRICES TOO. THE PRICES OF PETROLEUM PRODUCTS INCLUDING GASOLINE AND HOME HEATING OIL IN CANADA TODAY HAVE REACHED THE POINT WHERE THE GOVERNMENT BELIEVES IMMEDIATE MEASURES ARE REQUIRED TO STABILIZE THE ACTION OF THE MARKETPLACE IN THE INTEREST OF CONSUMERS AND THE RATIONAL DEVELOPMENT OF CANADIAN INDUSTRY. ACCORDINGLY THE FOLLOWING MEASURES ARE BEING ANNOUNCED: (1) THE OIL INDUSTRY WILL BE ASKED TO REFRAIN FROM FURTHER PRICE INCREASES TO CANADIAN CONSUMERS BEFORE JANUARY 30, 1974. THIS PRICE RESTRAINT WOULD APPLY EXCEPT WHERE, TO THE SATISFACTION OF THE MINISTER OF ENERGY, MINES AND RESOURCES, THE INCREASE IN THE COST OF IMPORTED CRUDE OIL WARRANTS A CANADIAN PRICE INCREASE. (2) THE GOVERNMENT INTENDS TO SEEK A CONTROL MECHANISM WHEREBY HIGHER PRICES IN THE U.S. MARKET WOULD NOT AUTOMATICALLY INCREASE PRICES AT HOME IN CANADA. AN EXPORT TAX, OR A NATIONAL OIL MARKETING BOARD ARE TWO POSSIBLE CONTROL MECHANISMS. DISCUSSIONS WILL BE HELD AS SOON AS POSSIBLE WITH PROVINCES

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PAGE 04 OTTAWA 02105 050011Z

AND INDUSTRY PRIOR TO THE INTRODUCTION OF LEGISLATION. (3) THE GOVERNMENT WILL ALSO HOLD EARLY CONSULTATIONS WITH PROVINCES AND INDUSTRY ON THE EXTENSION OF PIPELINE FACILITIES SO AS TO ENABLE CANADIAN OIL TO BE SHIPPED INTO MONTREAL. AT A TIME OF RAPIDLY ESCALATING INTERNATIONAL PRICES THIS WOULD PUT CANADIAN OIL INTO COMPETITION WITH INTERNATIONAL OIL, AND WOULD GIVE ADDITIONAL SECURITY AGAINST INTERNATIONAL DISRUPTION OF SUPPLY."

6. PM AGAIN STATED GOVERNMENT DESIRE TO AVOID GENERAL PRICE AND INCOME CONTROLS.

7. OPPOSITION LEADER STANFIELD TOLD HOUSE THAT STATEMENT REPRESENTED POTPOURRI OF SYMPTOMS AND REVIEW OF MEASURES PREVIOUSLY ANNOUNCED BUT NOT THE REQUIRED COMPREHENSIVE ASSAULT ON INFLATION. WHILE SUPPORTING I.A. INCREASED SUBSIDY FOR WHEAT MILLERS, HE CRITICIZED GOC FOR INCREASING IT TO C\$1.24 IN SEPTEMBER AFTER REDUCING IT FROM \$1.04 TO \$1.00 IN JULY. HE AGAIN ARGUED FOR ACROSS-THE-BOARD CONTROLS STATING THAT SELECTIVE CONTROLS WERE UNFAIR. NDP LEADER DAVID LEWIS SUPPORTED "LOGIC OF SELECTIVE CONTROLS" AND STATED THAT ACROSS-THE-BOARD CONTROLS PROVED

UNWORKABLE IN THE U.S. HE SAID THAT CONTROLS WOULD BE EFFECTIVE IN AREAS SUCH AS INTEREST RATES, OIL AND GAS, AND PROFITS BUT NOTED THAT IT NOT POSSIBLE TO COMPLETELY STOP PRESSURES ON PRICES. HE SAID GOC OFFER TO PAY 50 PERCENT OF INCREASED PROVINCIAL WELFARE EXPENDITURES WAS "NOT THOUGHTFUL" AS THE PROVINCES IN MOST NEED CANNOT AFFORD THEIR OWN 50 PERCENT SHARE. HE ALSO CALLED FOR EXCESS PROFITS TAX AND RECITED LIST OF CORPORATIONS WITH RECENT LARGE INCREASES IN PROFITS WHICH HE SAID DEMONSTRATED THAT CORPORATIONS WERE GOUGING CONSUMERS. SOCIAL CREDIT LEADER REAL CAQUETTE SAID SYSTEM OF COMPREHENSIVE CONTROLS WAS NOT THE ANSWER; WHAT WAS NEEDED WAS INJECTION OF MORE MONEY INTO ECONOMY TO SUPPORT CONSUMER DEMAND.

8. DURING SUBSEQUENT QUESTION PERIOD, OPPOSITION ASKED W

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